

Tencent profit climbs as it emerges from gaming quagmire

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China Internet giant Tencent said net profit soared nearly 17 percent in the first quarter of 2019

Chinese internet giant Tencent said Wednesday net profit soared nearly 17 percent in the first quarter as the company appeared set to emerge

from the battering it received from Beijing's crackdown on gaming.

Shenzhen-based Tencent said net profit came in at 27.2 billion yuan (\$4 billion) in the three months ending March 31, beating a Bloomberg average analyst estimate of 19.4 billion yuan.

Revenues were up 16 percent at 85.5 billion yuan, primarily driven by commercial payment services and other FinTech, and digital content businesses.

Tencent was hammered by a Chinese government crackdown on gaming launched last year that had choked off game approvals as authorities took aim at titles they felt were inappropriate, overly violent or addictive.

Chinese regulators stopped Tencent monetising the hugely popular battle-royale style mobile game "PlayerUnknown's Battlegrounds" on the mainland with the tech giant eventually dropping the title entirely earlier this month.

The crackdown shaved around \$250 billion off the company's stock market value by late last year and battered profits towards the end of 2018.

Shares have largely recovered as some game approvals subsequently resumed.

Mobile game revenues fell two percent year-on-year in the first quarter to 21.2 billion yuan "due to fewer new games releases", the company said.

But analysts said the results showed the company's hugely profitable gaming sector was bouncing back.

"Missing consensus top-line estimates is not ideal, but the bright spot is growth came where it mattered—in games, which is their most profitable segment," said Vey-ern Ling, an analyst at Bloomberg Intelligence cited by Bloomberg News.

"The 11 percent sequential jump in [mobile game](#) sales bodes well for the sustained recovery of the business over 2019, especially with the addition of new games."

Shares in the Hong Kong-listed company rose 0.92 percent Wednesday ahead of the report.

Last week Tencent released a new game that looks remarkably similar to "Battlegrounds" called "Game for Peace", which was developed in conjunction with China's air force and cleared regulators.

The [game](#) took in \$14 million within 72 hours, according to Sensor Tower which monitors mobile gaming data revenue.

With China's economy slowing down, major tech giants such as Tencent and Alibaba are increasingly looking overseas for growth, often competing with each other in key areas like [cloud computing](#) and Fintech.

Tencent said Thursday its cloud business "sustained a rapid year-on-year revenue growth rate" thanks to an expanding paying customer base.

Alibaba is expected to release its results later Wednesday.

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